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ABSTRACT

This study attempted to determine whether strategic planning would enhance a higher education institution's fiscal condition. It also systematically evaluated the extent of institution-wide strategic planning among private four-year postsecondary institutions in the United States. A definition of strategic planning and a conceptual framework based on rational decision-making theory guided the study's design. A mail survey of presidents of 873 private colleges and universities (106 responses) identified institutions that had engaged either in no, in minimal, or in intensive strategic planning. Tests of financial condition examined changes in financial strength, financial independence, tuition dependence, and liquidity. Analysis of variance and simple and multiple linear regression compared non-planners with planners and minimal planners with intensive planners. The study found no significant differences between the fiscal condition of institutions before and after planning began, between planners and non-planners, nor between minimal and intensive planners. On average, more positive (though not statistically significant) change in fiscal condition was experienced by the non-planning institutions. Tables of results are appended. (Contains 101 references.) (DB)

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STRATEGIC PLANNING AND FISCAL BENEFITS:

IS THERE A LINK?

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Feedback and comments most welcome!

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planning based upon a thorough and lengthy review of the planning literature (Ackoff, 1970; Ansoff, 1965; Bossert, 1989; Chaffee, 1985; Cope, 1978, 1981; 1987; Hax & Majluf, 1984; Jedamus et al., 1980; Keller, 1983; King & Cleland, 1978; Kotler & Murphy, 1981; Lorange, 1982; Meredith, 1985; Mintzberg & Quinn, 1991). The resulting definition is as follows: *strategic planning is a formalized and structured procedure during which both policy and financial issues are considered, and internal and external factors affecting the institution are assessed, so that the institution can decide how to allocate its resources and implement policies in such a way that the institution's comparative advantage will be improved.*[1]

What strategic planning is can be clarified by examining what strategic planning is not. Strategic planning is not multi-year budgeting; it is not simply the extrapolation of past or current trends; it is not a one-shot exercise; it is not a highly detailed, static plan (Ackoff, 1970; Ansoff, 1965; Chaffee, 1983; Hearn, 1988; Hines, 1991; Hipps, 1982; Jedamus et al., 1980; Keller, 1983; Mintzberg & Quinn, 1991; Tan, 1995). Rather, strategic planning is a process for determining the overall direction of the enterprise and its ultimate viability in light of the predictable and unpredictable changes which may occur in the surrounding environment. Strategic planning is proactive, ongoing problem-solving behavior which both creates change and manages change. It is concerned with the "long-term development of the institution, its essential character, its personality, its essence....A strategic move changes the institution, its stakeholders, and its competition. Anything less is not strategic, only tactical..." (Cope, 1978, p. 10, 82; Brown, 1997; Cope & Delaney, 1991).

RESULTS OF PLANNING

A review of the literature on the results of planning clearly shows mixed results. There is not sufficient time in this paper to delve into these often contradictory results (see Prinvale, 1988, 1992, for detailed descriptions), but pertinent literature reveals that despite the accolades, planning was discredited for several reasons. For example, some say it is because it remained stubborn in the face of change. Planners were so convinced of its rational prowess that they couldn't see their own fundamental irrationality (Robson, 1996, p. 196). Other problems concerned the inability to reach consensus, avoidance of politically sensitive issues, unrealistic beliefs that units will reveal priorities and openly discuss problems (Schmidtlein, 1990) and failing to develop "different answers for tomorrow's questions" and understanding that incremental changes in strategy may not help (Liff, 1997, p.1; Robson, 1996, Shipengrover, 1996).

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[1]See Prinvale, 1988, for a detailed description of this model, including a case study analysis of what happens when the model is not followed.

The underlying argument of this research is that due to the contrasting assumptions regarding decision-making within the corporate world and higher education, the strategic planning process will not work as predicted and, thus, the expected fiscal benefits are less likely. The key difference is that strategic planning is characterized as rationally-based decision-making behavior (Crittenden & Crittenden, 1997; Liff, 1997; March, 1988b; Migliore, 1991; Robson, 1996; Scott, 1987; Shipengrover, 1996). But decision-making behavior in higher education is depicted as collegial, political, bureaucratic, or anarchic within a professional culture.

To examine this argument, the researcher describes the results of an empirical study which evaluates the effects of institution-wide strategic planning on an institution's fiscal condition when it is implemented in four-year private colleges and universities. But before discussing the results, let's briefly review why colleges and universities choose to engage in strategic planning and, in more detail, explore the differences between higher education and the corporate world.

BENEFITS OF PLANNING

In the past thirty-five years, strategic planning has become one element of a broader strategic management model of business management (Mintzberg & Quinn, 1991; Robson, 1996; Shipengrover, 1996). Strategic planning is touted as a vehicle by which timely and important questions are brought to the attention of the organization, and allows for attempts to simulate the future. Strategic planning applies a systems approach that enables management to see the organization as a whole, forces the setting of objectives, identifies opportunities and threats, provides a performance measure, provides channels of communication throughout the organization, and facilitates a greater sense of participation by the members of the organization (Baker & Markin, 1993; Brown, 1997; Drohan, 1997; Hall & Elliott, 1993; Hurst, 1994; Johnson & Jonas, 1995; Keller, 1983; Ray, 1997; Robson; 1996; Shipengrover, 1996; Shires, 1994; Weimer & Jonas, 1995). As noted by Hall and Elliott (1993, p. 295), "Strategic planning is one of the most pervasive and generic concepts in the realm of management. All organizations, regardless of their specific purpose, need to have a well defined mission, goals, and a long term plan of action" (see also Hines, 1991). Strategic planning also is associated with political survival (Gilbert, 1991; Gioia & Thomas, 1996; Townsend et al., 1992; Waggaman, 1992).

A major benefit associated with strategic planning is that it is a process by which postsecondary institutions can strengthen their comparative advantage (Cameron, 1983; Cannon & Wolff, 1978; Chaffee, 1984; Cope, 1987; Cyert, 1983; Gioia & Thomas, 1996; Meredith, 1985; Meredith et al., 1987; Steeples, 1986). "Seeking an advantage is the first principle (and aim) of strategic planning" (Cyert, 1983, p. 15; Meredith, 1985; Meredith et al., 1987). In fact, Carnegie-Mellon University attributes its success directly to strategic planning. "It [strategic planning] guides us in seeking new opportunities in areas in which the university can achieve excellence in education and research" (Carnegie-Mellon,

January 1985). The same sentiments are echoed by the former president of the University of Southern California (1985, p. 9), the Massachusetts Institute of Technology (1988-89) and Rensselaer (1987, p. 1).

An important component of enhanced comparative advantage is improved financial condition. According to the advocates, strategic planning facilitates dealing with sudden financial shifts since the institutional mission and goals have been prioritized and it will be evident which areas can or should be cut and which should be protected (Bossert, 1989; Ray, 1997). Strategic planning is a vehicle by which the college can answer the question "What can we continue to afford to do" (Johnson & Jonas, 1995; Rensselaer, 1987; Waggaman, 1992)? By answering this question, "the institution's future is linked to anticipated changes in the environment in such a way that the acquisition of resources...is faster than the depletion of resources" (Cope, 1987, p. 3; Northwestern University, 1989, p. 9; Prinvale, 1988; Ray, 1997; University of Southern California, 1985). In a 1988 study by Meredith et al., financial improvement also was ranked as one of the ten most important reasons for conducting strategic planning and respondents from institutions following more strategically-oriented planning processes reported that they believed they were getting better results from the process, and a faster increase in the amount of funds available after six years for education and general expenses.

CONCEPTUAL FRAMEWORK

In this section, the researcher discusses the main components of rational decision-making theory and then compares that theory with the assumptions about how strategic planners make decisions.[2] With that as the foundation, the researcher then explores the assumptions of how decisions are made within colleges and universities and how those assumptions are not congruent with the assumptions inherent within rational decision-making theory.

Rational Decision-Making Theory

Organizations characterized by rational decision-making are "oriented to the pursuit of relatively specific goals and exhibit relatively highly formalized social structures" (Scott, 1987, p. 22). In order to achieve the desired goals, rational choice models presume that behavior is purposive and consistent, and that autonomous, conscious, and foresightful action can be taken to achieve some goal or value (Pfeffer, 1980; Pfeffer & Salancik, 1978). Rational choices are those which involve the selection of the one alternative from among many which is considered to be the most appropriate means for reaching the desired ends (Chaffee, 1983, p. 2; Simon, 1976, pp. 61-62). "The choice must be based on previously recognized values and on evidence that the alternative will, in fact, result in the realization of these

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[2]Remembering that this is a simplified and idealized description of strategic planning.

values" (Chaffee, 1983, p. 2). Furthermore, the link between the decision and the institution's goals and values is critical (Chaffee, 1983, p. 2), as highlighted by the focus on the concept of "means-ends chains" (Cohen & March, 1986; March, 1988b; Simon, 1976). Means-ends chains imply that there is a hierarchy of goals such that actions taken to achieve a goal at one level are selected so that they enhance the achievement of goals immediately above it (Simon, 1976, p. 65). This concept assumes that one can, and should, make explicit how decisions inhibit or foster achievement of the institution's goals and mission (Chaffee, 1983, p. 2). It also assumes that the decision-makers have a set of alternatives for action; the alternatives are defined by the situation and are known unambiguously. Decision makers are assumed to know the consequences of alternative decisions -- at least their probable distribution -- and a decision rule exists. Decision makers have rules by which to select the best alternative on the basis of its consequences for the preferences (March, 1988a, 1988b, p. 371; Chaffee, 1983). Rational decision-making theory, therefore, assumes that optimal choices are made within a highly specified and clearly-defined environment (March & Simon, 1958, cited in Grusky & Miller, 1981, p. 135). It does not make sense to speak of an organization outside of its environmental context. The events of the world around us do not present themselves with neat labels and interpretations (Pfeffer & Salancik, 1978, p. 72); rather individuals interpret and give meaning to those events. "Organizations are in the business of making sense. If they attend to anything with consistency and regularity, it is to their sense-making activities" (Weick, 1979, cited in Birnbaum, 1988, p. 250; Gioia & Thomas, 1996).

Rational Theory and Strategic Planning

Having presented briefly the basic assumptions associated with rational decision-making theory, this section demonstrates that strategic planning is grounded in this theory (Robson, 1996; Liff, 1997; Crittenden & Crittenden, 1997). A key similarity is that both strategic planners and rational theorists assume that superordinate organizational goals exist and can be specified. Both also assume that alternative courses of action can be identified and evaluated with respect to their potential for furthering goal achievement and that decisions as to which courses of action to follow can be reached using logical and analytic procedures. "Because there is goal congruence...or enough formal authority to ensure that the selected objectives are pursued" (Pfeffer, 1980, p. 31), strategic planners and rational theorists also assume that implementation is feasible and likely to occur (Chaffee, 1983; Pfeffer, 1980; Schmidtlein & Milton, 1990).

Another similarity between strategic planning and rational theories of decision-making relates to the management of interdependencies. Rather than decoupling the links between the organization and environmental influences (Pfeffer & Salancik, 1978; Tolbert, 1985), strategic planners and rational theorists initiate actions aimed at *tightening* the coupling between levels of the organization and between

organizational outcomes and the means used to achieve them. For example, like rational decision-making theorists, strategic planners believe that creating a systematic planning structure which limits choices and alternatives is one method by which individual actions become rational and by which organizational performance is enhanced (Simon, 1976).

Rational decision-making theorists believe it is important to understand how the environment comes to be known by the organization (Pfeffer & Salancik, 1978, p. 62). Strategic planners, similarly, "do not believe that environmental forces rigidly determine an institution's identity" (Kemerer, Baldridge, & Green, 1982, p. 16). Rather, strategic planners "believe that an active, aggressive stance will allow institutions to adjust to the coming future...[and] well-planned action is needed, and is needed now, if future events are not to overrun many campuses" (Kemerer, et al., 1982, p. 16). Since strategic planning is "a conscious process by which an institution assesses its current state and the likely future condition of its environment" (Lorange, 1982, p. 114; Baker & Markin, 1993; Drohan, 1997; Hurst, 1994; Johnson & Jonas, 1995; Liff, 1994; Lynn, Carver & Virgo, 1996; Schmidtlein & Milton, 1990), administrators can be more confident that the interdependence between the institution and its surrounding environment is consciously planned for and taken advantage of when decisions are made and strategies implemented (Cope, 1987). The utilization during strategic planning of a technique called claimant analysis (King & Cleland, 1978) or quadrant analysis (Lynn, Carver, & Virgo, 1996) reflects this belief. Claimant or quandrant analysis is the process by which the demands and needs of external environmental groups can be determined.

Both strategic planners and rational decision-making theorists are concerned with organizational culture, i.e., the manipulation of meaning and symbols, as part of how the environment comes to be known by the organization (Pfeffer & Salancik, 1978, p. 62; Drohan, 1997). Evidence of strategic planners' concern with organizational culture is their emphasis on developing a planning culture (Baker & Markin, 1993; Cope, 1987; King & Cleland, 1978; Meredith, 1985; Palola & Padgett, 1971; Peters & Waterman, 1982; Prinvale, 1988; Schmidtlein, 1990; Schmidtlein & Milton, 1990; Shipengrover, 1996).[3] Strategic planners argue, furthermore, that the success of strategic planning is more sensitive to the quality of the planning culture than to the specific planning techniques used. An anti-planning culture can defeat the most carefully planned process (King & Cleland, 1978; Prinvale, 1988). Therefore,

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[3]Culture is defined as an "integrated system of acquired behavioral patterns in an organization that is characteristic of the members of the organization and that influences the attitude and modus operandi of the organization" (King & Cleland, 1978, p. 24). An excellent review of the literature on organizational culture in higher education can be found in Kuh & Whitt (1988).

Decision-Making in Higher Education

Higher education also is distinguished from the business sector by its decision-making models. There are four models which traditionally have been used to describe decision-making in colleges and universities: the collegial, the political, the bureaucratic, and the anarchic (Birnbaum, 1988; Chaffee, 1983). As described below, each model contains features which diverge from rational decision-making theory.

THE COLLEGIAL MODEL

Traditionally, decision-making within colleges and universities has been described in terms of a collegial model. Features of this model are a shared sense of community and responsibility, consensus, localized responsibility for implementation, and informal feedback systems (Birnbaum, 1988; Chaffee, 1983). Since members of the collegial body are presumed to be equals, a hierarchy is not very important and no leader is appointed. Even the president is seen as the agent of the faculty, a first among equals, rather than as an independent actor (Birnbaum, 1988, p. 89). Consensus may exist relative to institutional goals; however, unlike rational decision-making, the selection of alternatives is based on the interests and experiences of the participants, in particular, the faculty. Faculty, acting together as peers, reason together toward their common goals and their goals may not be congruent with the whole institution's goals (Birnbaum, 1988, p. 88; Chaffee, 1983; Tan, 1995).

THE POLITICAL MODEL

In the political model, decisions are made through the use of power, coalition-building, and negotiation (Birnbaum, 1988; Chaffee, 1983). It is recognized that actors have multiple and conflicting goals which are defined primarily by their self-interests (Chaffee, 1983) and power does not rest on the appeal to organizational values. Rather, power is diffused. As a result, development of a pervasive or coherent culture is inhibited by the various and competing interests of the different groups within the institution (Birnbaum, 1988, p. 133).

THE BUREAUCRATIC MODEL

The bureaucratic decision-making model is characterized by the presence of standard operating procedures and a clearly delineated hierarchy. Functions are codified and there is an emphasis on written job descriptions and rules to guide behavior. There is a systematic division of labor, rights, and responsibilities; this structure is enforced through a hierarchical control system (Birnbaum, 1988, p. 111; Weick, 1976) and persons are expected to respond to each other in terms of their roles, not their personalities (Birnbaum, 1988, p. 111). The hierarchical structure of the college administration presumes that the determination of goals and how they will be achieved rests with the top administrators. There is a conscious effort to link means to ends, resources to objectives, and intentions to activities (Birnbaum, 1988, p. 113; Weick, 1976). Tendencies towards partiality are constrained by

the emphasis on rationality and expertise. Regardless of the number of subsystems, there is one center of authority where final decisions are made and conflicts can be resolved. That central authority, furthermore, is directly related to the primary goal activities of the organization and only indirectly related to the secondary ("means") activities. As is clear, the bureaucratic model is used most often to describe decision-making within the administrative side of the higher education institution.

Organized Anarchy

The fourth model used to describe decision-making behavior in colleges and universities is organized anarchy (Birnbaum, 1988; Chaffee, 1983; Cohen & March, 1986). An organized anarchy describes an institution in which 1) goals are unclear, 2) the means to achieve those goals (the technology) are ambiguous, and 3) time and resources are scarce. In an organized anarchy, there is a lack of consensus regarding the organization's mission and/or goals. Thus, even though the mission statement is supposed to guide the development of the curriculum, because the college is an organized anarchy, the college curriculum "in actuality often reflects primarily the interests of individual departments and faculty members" (Birnbaum, 1988, p. 155).

A second feature of an organized anarchy is ambiguity regarding what technology should be used to achieve the mission and goals. What methods of teaching are effective and under what circumstances and, especially important, why? Because we don't have definitive answers to these questions, choices about technology tend to be based on trial and error, previous experiences, imitation, and inventions born of necessity (Cohen & March, 1986). This is one reason the lack of clear goals is tolerated.

In an organized anarchy, most issues have low salience for most people. Therefore, participation in decision-making is erratic and fragmented. The total system has high inertia so that anything requiring coordination is not likely to be initiated. What items are discussed in the context of any particular decision depends less on the specific decision or problems than on "the timing of their joint arrivals and the existence of alternative arenas for exercising problems" (Cohen & March, 1986, p. 206; Chaffee, 1983). As a result, decision outcomes tend to become separated from the formal decision-making process (described by Cohen & March, 1986, as loose coupling) (Schmidtlein & Milton, 1990).[6] The college or university discovers what it prefers by seeing what it has already done, not by acting on the basis of *a priori* preferences (Cohen & March, 1986, p. 206; Gilbert, 1991). There may be a sophisticated management system in place on campus, but because of the loose coupling between

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[6]An organization is loosely coupled when the linkages between structural characteristics and actual behavior are not present (Meyer & Rowan, 1978; Pfeffer, 1980; Pfeffer & Salancik, 1978).

problems and outcomes, and because of the existence of the more powerful faculty hierarchy, that management system may operate at less than optimal effectiveness.

Loose coupling is tolerated for several reasons. First, the resulting flexibility is congruent with the ethos of academic freedom (Lutz, 1982). Second, since the link between a specific problem and a specific decision is obscure, people can "have their cake and eat it too." For example, the faculty senate will make a decision about grade inflation yet due to lack of senate supervision or control, faculty behavior does not have to change. People can substitute belief for action (Birnbaum, 1988, p. 165). Third, loose coupling can be particularly effective in a complex and turbulent environment because each individual unit can be more sensitive and more responsive to changes in its external environment without causing conflicts in another unit (Pfeffer & Salancik, 1978; Birnbaum, 1988).

CONTRASTING ASSUMPTIONS

This description of decision-making in higher education highlights several features inconsistent with the assumptions inherent in rationally-based strategic planning. These include management of the external environment, loose versus tight coupling, and clarity of goals. The next section describes these conflicts in anticipation of what those differences mean when higher education administrators implement strategic planning at their institution.

Mentioned earlier was a concern for the external environment: how it is perceived and how the organization adjusts to meet its demands is a critical element of rational decision-making that is consistent with the assumptions of strategic planning. Members of institutions of higher education are concerned, too, with the ability of their organization to acquire resources and manage the demands of external groups. But there is a complicating factor. While higher education administrators are concerned with the relationship between the external environment and the college as a whole institution, faculty concerns often are discipline-based (Schmidtlein, 1990; Tan, 1995).[7] For example, an institution confers rank (e.g., tenure) but prestige is often conferred by groups outside the institutions. One might speculate that strategic planners would offer suggestions based on the influencing of culture and/or the imposition of more formalized structures to resolve this dilemma. But this can only be speculation since the conflict between how different groups define their external environment is not addressed in the literature on the use of strategic planning in higher education.

Another inconsistency between strategic planning and decision-making in colleges and universities is the loosely coupled and decentralized structure of the college versus the more centralized and coordinated elements of strategic planning (Hearn, 1988, pp. 233-34). Whereas strategic planners

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[7]A landmark article discussing the difference between faculty "locals" and faculty "cosmopolitans" is by Gouldner (1957). Also see Becher (1987).

depend upon a rationally-based hierarchical and centralized decision-making structure (Chaffee, 1983; Hax & Majluf, 1984; Keller, 1983), "at the institutional level [in colleges and universities], gaining commitment to productivity improvement will likely require decentralized budgeting and decision-making to the school or department level" (Mingle, 1989, p. 15; Schmidtlein & Milton, 1990). "The nature of academic work dictates that many of the tradeoffs between quality and quantity be resolved at the level of the individual faculty member" (Massy, 1990, p. 21; Blau, 1973, p. 60). In fact, Volkwein (1987) notes that many within the higher education community are convinced that the great colleges and universities have been those that were the least managed.[5] As task uncertainty increases, organizational use of rules to increase coordination declined and reliance on personal, horizontal channels of communication increased (Van de Ven & Ferry, 1980, p. 421; Gilbert, 1991).

Therefore, it is expanding decentralization and loose coupling which make it possible to meet simultaneously the competing demands facing a higher education institution (Pfeffer & Salancik, 1978, p. 275). Coordination is not accomplished by tightening linkages between hierarchical levels or establishing more formalized control system (Tolbert, 1985). Rather, "if a college or university is to effective...the looser must be the linkages between the management subsystem..." (Birnbaum, 1988, p. 46). Loose coupling permits considerable flexibility in the behavior of their subsystems and, thus, such organizations are better able to survive (Lutz, 1982, p. 653). Loose coupling is one of the ways "academic institutions cope with the dilemma posed by the incompatibility of bureaucracy and scholarship" (Blau, 1973, p. 2).

The ambiguity regarding institutional goals is another feature of higher education incongruent with the assumptions of strategic planning as rationally-based decision-making behavior. Colleges and universities are characterized by multiple, and often, conflicting goals (Clark, 1983; Gilbert, 1991; Langfitt, 1989; Mingle, 1989). "What sort of institution could subsume classical literature and social work, knit together physics and sociology, integrate archeology and zoology" (Clark, 1983, p. 18)? Mission statements focus on teaching, research, and public service as a "trinity of purposes;" but this still leaves unlimited scope to what can be taught, researched, or considered public service (Clark, 1983, pp. 18-19). Thus, strategic planning, a process which assumes the presence of superordinate goals, is inconsistent with an organization which must choose among competing missions. Rationally-based strategic planning assumes that a clear set of specific values can be developed which will serve as the criteria for decision-making. "Administrators who use rational decision processes...provide the grounds...[so] that difficult decisions can be made, explained, and carried out with minimal disruption..." (Chaffee, 1983, p. 65). However, when "rationality isn't the driving force and major purpose of

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[5]Volkwein (1989), however, presents data that contradict this view.

administration" (Birnbaum, 1988, p. 64), such consensus is much more difficult, if not impossible, to attain as the result of a strategic planning process within an institution of higher education.[9]

Furthermore, even if agreement on goals is obtained, goals are not easily measured in postsecondary institutions. Administrators cannot point to a "profit maximization" rule as a measurement of success. "Efficiency and cost-effectiveness measures alone provide no clear guidance for allocation of resources" (Kelly, 1980; Blau, 1964; Birnbaum, 1988; Massy, 1990, p. 4). Also, there is often disagreement on how to measure outcomes. For example, faculty often view institutional quality in terms of prestige; administrators may view it in terms of resources they command; students may view quality in terms of access to resources and personal and academic growth; and community groups may view quality as a matter of the institution's contribution to the economic development of the region (Hearn, 1988, p. 254).

There appears to be a fundamental conflict between the concept of strategic planning and pluralistic democratic forms of decision making (Schmidtlein, 1990). As noted earlier, strategic planners assumes that decision-making power is based, in part, on one's position in the hierarchy. But power is dispersed at most institutions of higher education and power relationships are highly complex. "Success would depend on our ability to make difficult choices, to articulate our common values and shared aspirations, and to work collegially to create the kind of future we all want for our College." (Colby, 1991, p. 1; Crittenden & Crittenden, 1997; Gilbert, 1991; Knorr, 1985, p. 7; Gilbert, 1991; Young, 1981, p. 2). Unfortunately,

> Comprehensive planning processes frequently opened up a broad array of latent as well as obvious political issues, overloading an institution's capacity for resolving them. [So,] while planning is promoted as a way to reveal problem areas and devise solutions, strategic planning does not recognize that priorities appear to be determined through political interactions and are evident after decisions are reached, not before bargaining takes place (Schmidtlein, 1990, pp. 11-13).

What we see, therefore, is that "strategic planning will not erase the inevitable conflict between institutional and departmental goals or between institutional and departmental and personal goals" (Cope, 1978, pp. 14-15; Peck, 1983; Schmidtlein, 1990).

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[9]Chaffee (1983) disagrees. She argues that if the value structure of the participants is known prior to their considering alternatives and making a decision, and if those values are consistent with a larger goal of the organization, the process exhibits at least some of the requisite characteristics of an ordered list of preferences. She says, in fact, that even if the preferences from which a decision is made reflect only the values of the president, that is sufficient evidence that the college had a prior value premise (p. 14).

Are the organizational characteristics of academic institutions so different from other institutions that traditional management theories do not apply (Baldridge, Curtis, & Riley, 1978, p. 9; Gilbert, 1991)? The list of differences is substantial. Perhaps the values of the academic culture generally are inconsistent with the underlying concepts of strategic planning (Kotler & Murphy, 1981; Schmidtlein & Milton, 1990, p. 34). If such differences exist, why should higher education administrators expect swifter or greater degrees of improvement in fiscal condition when they conduct strategic planning? This research argues that the reason the promised fiscal benefits do not occur is because of this mismatch of assumptions. The rest of this paper details the absent relationship and presents survey findings which lend credence to the belief that the reason is due to the mismatch of assumptions and culture. It must be noted, however, that a direct cause and effect relationship was not determined and perhaps never can be without significant and expensive further research.

STUDY METHODOLOGY

The hypothesis in this empirical study was that *there will not be greater degrees of improvement in the financial condition of those institutions which conduct institution-wide strategic planning compared with institutions which did not conduct institution-wide strategic planning during the same time period.* Rejection of the hypothesis means that strategic planning does have a significant effect on an institution's fiscal condition. The specific tests of financial condition were assessment of changes in financial strength, financial independence, tuition dependence, and liquidity. These variables were measured using standard, generally accepted measures of fiscal health (Minter, 1978; Minter et al, 1982a, 1982b; Andersen, 1985; Chabotar, 1989; Collier, 1978). The four specific measures were: the ratio of total assets to total liabilities, the ratio of total endowment income to total educational and general revenues, the ratio of tuition and fees to total educational and general revenues, and the ratio of the unrestricted funds balances (monies available for meeting institutional liabilities) to total education and general expenditures and mandatory transfers. In this research, the four ratios selected serve as warning signs of potential problems or fiscal vulnerability.

The independent variable was institution-wide strategic planning. Five questions were used to determine if an institution used strategic planning. There were two threshold questions. First, institutions were asked whether the institution had conducted an institution-wide planning process at any time since 1984. Institution-wide planning was defined in the survey as "a centrally-coordinated planning process which considers issues that cross departmental and administrative unit boundaries." If an institution answered no to this question, they were not considered a strategic planning institution. If they answered yes, the second threshold question was used which asked whether their plan specified that it would take four to six years to achieve the majority of the institution-wide planning goals. If the institution responded yes to these two questions, then their scores on questions concerning what issues

were considered during the process, which exercises were part of the institution-wide planning process, and how involved were members of certain groups in that process were combined to create a strategic planning score (SPSCORE). The SPSCORE was the sum of the institution's scores on Questions 1, 4, 5, 6, and 7. Since they were threshold questions, the score on Question 1 for all institutions was two and ten for Question 6. Again, in order to incorporate the unique features of strategic planning into the scoring design, weights were assigned to the five questions. Question 1 was assigned a weight of one (since every institution and to answer yes in order to be included in the planning category). Question 6, concerning the span of the planning process, was assigned a weight of 10 since the 4-6 year span of planning is one of the critical features of planning. Question 4, which asked about the issues which were part of the process, was assigned a weight of nine; question 5 (exercises performed) was assigned a weight of eight, and Question 7 (levels of involvement) was assigned a weight of seven. The sum of the weighted scores on each question was calculated and then divided by the total weights (35), leading to a total possible SPSCORE of 19.94.

Whether an institution conducted strategic planning was determined based on the results to a mailed survey to the presidents of the 873 four-year private colleges and universities in the United States. In order to control for differences resulting from unique funding, mission, and governance, public institutions, military institutions, seminaries, medical schools, other separate health professional schools, law schools, or schools which do not award bachelor degrees were excluded. By measuring the percent change on the individual measures of fiscal condition prior to the onset of planning, prior financial conditions which could skew the measurement of change were controlled. Carnegie classification, enrollment, established date, intensity of planning, and the date planning began also were used as control variables. Each institution which was considered a planning institution was then labeled as a "minimal" or "intensive" planner. Intensive strategic planning institutions (InSPs) were those with strategic planning scores in the top ten percent of the sample (scores ranging from 18.82 to 19.44, n=52). Minimal strategic planning institutions (MinSPs) were those whose scores were in the bottom ten percent of the sample (scores ranging from 8.03 to 12.91, n=51).

Analysis of variance (ANOVA) and simple and multiple linear regression were used to test the hypotheses. Analysis of variance was used to determine if there were differences in the fiscal condition of institutions which used institution-wide strategic planning (planners) compared with institutions which did not use institution-wide strategic planning (non-planners). Additional ANOVAs were tested comparing intensive and minimal planners, planners who began their process at different times, and institutions in different Carnegie classifications. Analysis of variance also was used to test for response bias. The statistical technique of linear regression was used as an additional test of the relationship between changes in financial condition and the use of institution-wide strategic planning. For example,

one model tested was whether institutions' fiscal condition prior to the onset of strategic planning was a predictor of the intensity of planning conducted by an institution. Regression models also were used to determine if other characteristics of the planning process, such as when planning began, agreement and/or involvement levels, and the various control variables (the date institution was established, enrollment, Carnegie classification, prior financial condition) were predictors of strategic planning scores. Finally, a variety of regression models were tested to determine what, if anything, predicted the changes in financial condition after planning began. This included, of course, financial condition prior to the onset of planning. Other variables tested were established date, enrollment, Carnegie classification, and the date planning began.

DESCRIPTION AND ANALYSIS OF RESULTS

Ninety-four percent of the sample reported that they had conducted a centrally-coordinated planning process which considered issues that crossed departmental and administrative unit boundaries at some time since 1984. The strategic planning scores were somewhat high and clustered quite closely together (the mean score was 16 and the s.d. was 2.28). Nearly one-fourth of the sample reported that the process began between 1984 and 1987. Another 50 percent began planning between 1988 and 1990 and the remainder began their most recent institution-wide planning process in 1991. Essentially no differences were revealed among institutions which began the most recent institution-wide planning process at different times. The only material exception was that institutions which began the most recent planning process before 1987 had, on average, lower levels of agreement that planning should be used at their institution.

Examining what might have prompted the implementation of planning, the researcher examined fiscal condition before planning began. There were no statistically significant differences in the average percent changes in fiscal condition before planning began between planners and non-planners. It was true that, in general, institutions which said they had conducted a centrally-coordinated institution-wide planning process demonstrated greater variation prior to the onset of planning in financial strength, financial independence, tuition dependence or liquidity than non-planners. For example, planning institutions experienced a range of 75 percent change in financial strength (ratio 1), compared with only a 35 percent range among non-planners. In terms of financial independence (ratio 2), the range of change for planners was 77 percent, versus 57 percent for non-planners. The data show that planning institutions experienced a range of a 41 percent change in tuition dependence (ratio 3), compared with only 14 percent for non-planners. Finally, planning institutions experienced a 28 percent range of change in liquidity (ratio 4), compared to only 17 percent for non-planners. Also, one notices that there was somewhat greater deviance from the average percent changes (as measured by the standard deviation) among planners as compared with the non-planners before planning began. It appears that

when the percent changes across time were extremely volatile (when there were large standard deviations) that the pressure for planning seemed to be the greatest. Unfortunately, more stringent tests failed to support this supposition. The same was true when comparing intensity of planning — there were no significant differences in fiscal variability prior to the onset of planning. In fact, overall changes in prior financial condition explained less than one percent of the variation in the intensity of strategic planning scores.

An institution's established date, the data at which planning began, and Carnegie classification were not significant predictors of SPSCORE. Enrollment changes explained approximately 40 percent of the variation in the intensity of strategic planning among research and doctoral institutions and about 16 percent of the variation among comprehensive institutions. While some raw ratios were statistically significant, no more than three percent of the variation in SPSCORE was explained. The only predictor of intensity of planning (SPSCORE) was the extent to which constituent groups agreed that planning was a good idea. In particular, and as expected due to the critical role played by an institution's chief executive officer, a unit change in the president's level of agreement was associated with nearly a half unit increase in the institution's strategic planning score.

The analyses of variance revealed no statistically significant results between the fiscal condition after planning began between planners and non-planners. That is, the hypotheses were supported: the use of institution-wide strategic planning did not produce statistically significant differences in the financial strength, financial independence, tuition dependence, or liquidity (see Tables 39, 40, 41, 42) of four-year private colleges and universities at which it was used compared with institutions at which it was not used. In hypothesis 1 (see Table 39) , the comparison of average changes in financial strength between minimal planners and non-planners was statistically significant. Examination of the data reveal, however, that this was due to a minimal planning institution which experienced a 211 percent change in financial strength. The ANOVA no longer was significant when this outlier was removed.

Further confirmation of the absence of a relationship between planning and change in financial condition was the failure to find any significant predictive ability when SPSCORE was regressed on each financial measure (see Step 1, Table 43). In fact, strategic planning explained essentially *none* of the change in financial condition after planning began. This was true among all planners, all classes. One exception occurred among institutions which had begun planning within the past 1-4 years; in this instance, SPSCORE was a significant predictor (t= -2.03) of changes in financial strength just prior to the onset of planning. However, SPSCORE explained only about three percent of the variation and was associated with just a two percent decline in the ratio.

The data generally were the same for minimal and intensive planners (see Table 44). An institution's strategic planning score was not a predictor of changes in any of the financial measures and

did not explain more than one percent of the variation in changes between 1984-1986(7) for either group. The t-ratio for the SPSCORE variable approached significance (t=1.75) when SPSCORE was regressed on change between 1984-1987 in tuition dependence and a unit change in SPSCORE was associated with a two percent change in the ratio. But only about six percent of the variation in changes in tuition dependence between 1984-1986 was explained.

While there were no statistically significant differences in the average percent changes in financial condition between planners who conducted institution-wide strategic planning and non-planners, the data (see Tables 39, 40, 41, 42) reveal some fascinating information. For example, non-planners experienced more positive change in financial strength (ratio 1) than did the planners (mean of non-planners was 12% versus 7% for planners). The same is true for ratio 2 (non-planners' mean = 1% versus -1% for planners) and ratio 4 (means of 6% for non-planners versus .06% for planners). On average, more positive change was experienced by non-planners. While it is true that the differences were not significant, these data are worthy of further research to determine if there are characteristics of planning processes that may in fact cause a deterioration rather than improvement in financial condition.

When one examines attitudes regarding planning, the above results may not seem so surprising. That is, attitudes tend to confirm the posited mismatch of culture and organizational assumptions. For example, respondents were asked to select all the reasons why people did not agree that colleges and universities should conduct institution-wide planning. The reason cited most often was that "planning doesn't tell us anything we don't already know." Slightly more than one-third of the respondents indicated that people think "planning is too time-consuming." Eighteen percent of the respondents said that the most common reason was that "planning doesn't tell us anything we don't already know" and 17 percent reported that "planning was tried before and it didn't work."

While level of involvement in institution-wide planning was somewhat high (more than 90 percent of the institutions reported that presidents, CAOs, and CFOs were highly involved), less than 75 percent of the institutions said that faculty and non-senior level administrators (academic and non-academic) were highly involved in planning. The results confirmed what a liberal arts institution and a comprehensive institution said: "We have not yet crossed [the] crucial step of appropriate faculty participation." Furthermore, more than 80 percent of the institutions reported that governing boards, presidents, CAOs, and CFOs were reported to agree strongly that institution-wide planning should be conducted at their institution. But only 40 percent of the institutions said that faculty agreed strongly; this was the lowest percentage of any constituent group. The degree to which constituent groups within the institution agreed that institution-wide planning should be conducted by their institution was

consistently higher than how involved in planning were the same constituent groups. People talk but do not act.

CONCLUSION

This research was the first attempt to systematically determine which institutions engage in strategic planning and one of a very few empirical studies using a formal research design to determine what effects, if any, resulted when a four-year private college or university conducted institution-wide strategic planning. Higher education administrators are bombarded with information about the newest planning technique that could be used to help enhance their institution. The results of this empirical research should alert higher education researchers and practitioners to the dangers associated with utilizing such techniques in the absence of an adequate understanding of the assumptions underlying the techniques and their potential incompatibility with the culture and decision-making styles of their institutions. One advantage of the quantitative approach used in this study was that it was a direct challenge of the claims of strategic planners that changes in financial condition would result. It would have been ideal if data could have been collected on other elements which influence comparative advantage, such as changes in yield or quality of faculty and students. In fact, measures of such variables were included in the original research but had to be eliminated when the data were not easily accessible.

The research clearly suggests that a shift in the research on the use of strategic planning is required. Rather than focusing on quantitative issues, such as financial condition, higher education practitioners and researchers would benefit from research on how strategic planning can be adapted for use in a professional, decentralized, loosely coupled environment. More research on its use at the departmental level also would be welcome, especially since anecdotal evidence suggests that its use at lower levels of the college organization may be associated with greater success and acceptance.

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TABLES OF RESULTS

H_{01} *The percent change between the year planning began and one to two years after planning began in the ratio of total assets to total liabilities will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 39

HYPOTHESIS 1

PERCENT CHANGES IN FINANCIAL STRENGTH BETWEEN 1984 AND 1986

PLANNERS VERSUS NON-PLANNERS

Descriptive Data

	Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.	Min.	Max.
All Instns.	72	7%	27%	-40%	211%	34	12%	38%	-20%	201%
Intensive	6	2	11	-10	21					
Minimal	9	25	70	-9	211					

Analysis of Variance: **Ratio 1**

Group	Diff. Bet. Means		df	SS	MS	F-ratio	Prob.
Planners and Non-Planners	-5	1/107	.11	.11	1.51	.22	
Intensive and Non-Planners	-10	1/41	.09	.09	1.26	.26	
Minimal and Non-Planners	+13	1/44	.37	.37	4.97	.03*	

*Significant at .05 level or greater

H_{02} *The percent change between the year planning began and one to three years after planning began in the ratio of endowment income to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 40

HYPOTHESIS 2

PERCENT CHANGES IN FINANCIAL INDEPENDENCE BETWEEN 1984 AND 1987

PLANNERS VERSUS NON-PLANNERS

Descriptive Data

	Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.	Min.	Max.
All Instns.	72	-1.0%	7%	-34%	26%	34	1.0%	7%	-14.0%	22%
Intensive	6	0.3	2	-2	3					
Minimal	9	-0.4	3	-5	4					

Analysis of Variance: **Ratio 2**

Group	Diff. Bet. Means	df	SS	MS	F-ratio	Prob.
Planners and Non-Planners	-2.0	1/107	.0146	.0146	1.85	.17
Intensive and Non-Planners	-0.7	1/41	.0004	.0004	.06	.81
Minimal and Non-Planners	-1.4	1/44	.0000	.0000	.01	.93

*Significant at .05 level or greater

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H_{03} *The percent change between the year planning began and one to three years after planning began in the ratio of tuition and fees to total educational and general revenues will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 41

HYPOTHESIS 3

PERCENT CHANGES IN TUITION DEPENDENCE BETWEEN 1984 AND 1987

PLANNERS VERSUS NON-PLANNERS

Descriptive Data

	Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.	Min.	Max.
All Instns.	72	-0.3%	3%	-18%	4%	34	0.5%	3.0%	-5%	10.0%
Intensive	6	0.6	2	-2	3					
Minimal	9	0.8	2	-1	4					

Analysis of Variance: **Ratio 3**

Group	Diff. Bet. Means	df	SS	MS	F-ratio	Prob.
Planners and Non-Planners	-0.8	1/107	.0003	.0003	.48	.48
Intensive and Non-Planners	+0.1	1/41	.0007	.0007	1.22	.27
Minimal and Non-Planners	+0.3	1/44	.0010	.0010	1.66	.20

*Significant at .05 level or greater

H_{04} *The percent change between the year planning began and one to two years after planning began in the ratio of the unrestricted funds balances to total education and general expenditures plus mandatory transfers will not improve more for four-year private colleges and universities which engaged in institution-wide strategic planning than for comparable institutions which did not engage in institution-wide strategic planning during the same time period.*

TABLE 42

HYPOTHESIS 4

PERCENT CHANGES IN LIQUIDITY BETWEEN 1984 AND 1986

PLANNERS VERSUS NON-PLANNERS

Descriptive Data

	Planners					Non-Planners				
	N	Mean	S.D.	Min.	Max.	N	Mean	S.D.	Min.	Max.
All Instns.	72	0.06%	6%	-45%	13%	34	6%	36%	-12%	208%
Intensive	6	2	3	-1	7					
Minimal	9	0.9	3	-2	6					

Analysis of Variance: **Ratio 4**

Group	Diff. Bet. Means	df	SS	MS	F-ratio	Prob.
Planners and Non-Planners	-5.9	1/107	.01	.01	.46	.50
Intensive and Non-Planners	-4.0	1/41	.08	.08	2.83	.09
Minimal and Non-Planners	-5.1	1/44	.07	.07	2.40	.12

*Significant at .05 level or greater

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TABLE 43
WHAT PREDICT CHANGES IN FINANCIAL CONDITION?

Dependent Variable: Change in Financial Condition Between 1984-1986(7)

All Planners (n=516)

Independent Variable	Step 1 Beta	s.e.	t-ratio	R^2	Step 2 Beta	s.e.	t-ratio	R^2
Ratio 1B								
SPSCORE	-.00	.01	-.41	0.0%	-.00	.01	-.45	0.5%
RATIO 1A					-.10	.19	-.56	
CCLASS				-.00	.00	-1.06		
ESTDATE					-.00	.00	-.22	
ENROLL				-.00	.00	-1.40		
Ratio 2B								
SPSCORE	-.00	.00	-.00	0.0%	-.00	.00	-.24	10.2%
RATIO 2A					-.37	.05	-7.02*	
CCLASS				-.00	.00	-.28		
ESTDATE					.00	.00	2.36*	
ENROLL				-.00	.00	-1.14		
Ratio 3B								
SPSCORE	.00	.00	.79	0.1%	.00	.00	1.12	17.3%
RATIO 3A					-.41	.04	-10.10*	
CCLASS				.00	.00	1.08		
ESTDATE					-.00	.00	-.18	
ENROLL				.00	.00	.45		
Ratio 4B								
SPSCORE	.00	.00	.19	0.0%	.00	.00	.13	1.7%
RATIO 4A					-.03	.25	-.14	
CCLASS				-.00	.00	-2.13*		
ESTDATE					-.00	.00	-.26	
ENROLL				-.00	.00	-.14		

Does strategic planning predict change in financial condition?
Among Institutions Which Began Planning Between 1984-1987 (n=72)

Independent Variable: SPSCORE
Dependent Variable: Change between 1984-1986(7) in the financial measure

	Beta	s.e.	t-ratio	R^2
Ratio 1B	-.02	.01	-2.03*	2.8%
Ratio 2B	-.00	.00	-.43	0.1%
Ratio 3B	-.00	.00	-.77	0.4%
Ratio 4B	-.00	.00	-1.49	1.6%

* Significant at .05 level or greater

Variables:

Ratio 1	Financial strength	A = Changes between 1980-1984
Ratio 2	Financial independence	B = Changes between 1984-1986 (ratios 1/4),
Ratio 3	Tuition dependence	or changes between 1984-1987 (ratios 2/3)
Ratio 4	Liquidity	

TABLE 44

WHAT PREDICTS CHANGES IN FINANCIAL CONDITION?

Dependent Variable: Change in Financial Condition Between 1984-1986(7)

Minimal Planners (n=51)

Independent Variable	Step 1 Beta	s.e.	t-ratio	R^2	Step 2 Beta	s.e.	t-ratio	R^2
Ratio 1B								
SPSCORE	.03	.04	.71	1.0%	.02	.04	.61	4.9%
RATIO 1A					1.01	.95	1.06	
CCLASS				.01	.01	.65		
ESTDATE					.00	.00	.12	
ENROLL				.00	.00	.11		
Ratio 2B								
SPSCORE	-.00	.01	-.01	0.0%	.00	.01	.03	21.7%
RATIO 2A					-.39	.11	-3.36*	
CCLASS				-.00	.00	-.11		
ESTDATE					.00	.00	.55	
ENROLL				-.00	.00	-.25		
Ratio 3B								
SPSCORE	.00	.00	.34	0.2%	.00	.00	.14	12.7%
RATIO 3A					-.59	.24	-2.44*	
CCLASS				-.00	.00	.45		
ESTDATE					-.00	.00	-.57	
ENROLL				.00	.00	-.77		
Ratio 4B								
SPSCORE	.00	.00	.22	0.1%	.00	.00	.21	2.2%
RATIO 4A					-.15	.18	-.82	
CCLASS				-.00	.00	-.10		
ESTDATE					-.00	.00	-.42	
ENROLL				-.00	.00	-.29		

Intensive Planners (n=52)

Ratio 1B								
SPSCORE	-.00	.05	-.08	0.0%	-.00	.05	-.01	9.5%
RATIO 1A						-.15	.35	-.41
CCLASS					.01	.01	1.90	
ESTDATE						.00	.00	.83
ENROLL					.00	.00	1.10	
Ratio 2B								
SPSCORE	.00	.03	.05	0.0%	-.01	.03	-.35	7.4%
RATIO 2A						-.18	.12	-1.49
CCLASS					.00	.00	1.27	
ESTDATE						-.00	.00	-.01
ENROLL					.00	.00	1.33	
Ratio 3B								
SPSCORE	.02	.01	1.75	5.9%	.00	-.01	.18	44.2%
RATIO 3A						-.83	.16	-5.31*
CCLASS					.00	.00	.58	
ESTDATE						-.00	.00	-.43
ENROLL					.00	.00	.58	
Ratio 4B								
SPSCORE	-.007	.016	-.46	0.4%	-.01	.02	-.41	18.6%
RATIO 4A						-.50	.19	-2.69*
CCLASS					-.00	.00	1.00	
ESTDATE						-.00	.00	-.62
ENROLL					-.00	.00	-.08	

* Significant at .05 level or greater

Variables:

Ratio 1	Financial strength	A = Changes between 1980-1984
Ratio 2	Financial independence	B = Changes between 1984-1986 (ratios 1/4),
Ratio 3	Tuition dependence	or changes between 1984-1987 (ratios 2/3)
Ratio 4	Liquidity	

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